



CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA
AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair
Sisi Cooper, Director
Dan Rogers, Director

Katherine Jernstrom, Director
Mark Wiggin, Director

November 5, 2025

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER *(4:00 p.m.)*
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *August 20, 2025 (Cacy)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE *(none)*
- VI. EXECUTIVE SESSION* *(scheduled) (4:10 p.m.)*
 - A. *Internal Revenue Service Communication (Highers/Orrick)*
- VII. NEW BUSINESS* *(scheduled) (4:35 p.m.)*
 - A. *2025/2026 Discounting of Retail Capital Credit Payments* (Rudeck/Muise/Kurka) (4:35 p.m.)*
 - B. *2026 Operating & Capital Budget* (Millwood/Laughlin) (4:55 p.m.)*
- VIII. DIRECTOR COMMENTS *(5:15 p.m.)*
- IX. ADJOURNMENT* *(5:30 p.m.)*

* *Denotes Action Items*

** *Denotes Possible Action Items*

10/31/2025 11:33:18 AM

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

August 20, 2025
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Sandra Cacy

I. CALL TO ORDER

Chair Morse called the Audit and Finance Committee meeting to order at 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members' Present:

Rachel Morse, Chair
Sisi Cooper, Vice Chair – *via teleconference*
Katherine Jernstrom, Director
Dan Rogers, Director – *via teleconference*
Mark Wiggin, Director – *via teleconference*

Board Members Present:

Jim Nordlund, Director – *via teleconference* – arrived at 4:21 p.m.

Board Members Absent:

Susanne Fleek-Green, Director

Guests and Staff Attendance Present:

Arthur Miller	Katie Millen	Trish Baker
Sherri Highers	Paul Millwood	Emily Mueller
Matthew Clarkson	Julie Hasquet	Bernie Smith, Member
Allan Rudeck	Dusty Menefee	
Andrew Laughlin	Taylor Asher	

Via Teleconference:

Stephanie Huddell	Buddi Richey	Heather Slocum
Amanda Mankel	Kurt Strunk, CRA	Whitney Wilkson

II. APPROVAL OF THE AGENDA

Director Jernstrom moved, and Director Wiggin seconded the motion to approve the agenda. The motion passed unanimously.

III. APPROVAL OF THE MINUTES

Director Jernstrom moved, and Director Wiggin seconded the motion to approve May 21, 2025, Audit and Finance Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

Bernie Smith, Member, made comments on Chugach's participation during the Commission testimony and also asked the Committee and staff questions regarding the Cents of Community.

V. NEW BUSINESS* (scheduled)

A. Board Policy 207 - Audit and Finance Committee (Committee)

Chair Morse went over a few highlights of the Board Policy 207 with the Committee and asked that the Committee bring any changes to the next Board Meeting.

*B. Election of Audit and Finance Committee Vice Chair**

Chair Morse opened the floor for nominations for Vice Chair of the Audit and Finance Committee.

Director Jernstrom nominated Director Sisi Cooper for the position of Vice Chair of the Audit & Finance Committee. No other nominations were made.

Chair Morse closed the nominations and called for a vote.

The result of the vote: Director Cooper was elected as Vice Chair of the Audit and Finance Committee.

VI. CEO REPORTS AND CORRESPONDENCE

A. Collective Bargaining Agreements - Update (Millen/Menefee)

Katie Millen, VP Human Resources, and Dusty Menefee, Sr. Manager Labor Relations, briefed the Committee on the recent updates to the Collective Bargaining Agreements and answered questions from the Committee.

B. BRU Quarterly Investment Fund Review (Millwood)

Paul Millwood, VP Finance & Accounting, presented the BRU Quarterly Investment Fund Review and answered questions from the Committee.

C. 2nd Quarter 2025 Capital Tracking Report (Millwood)

Paul Millwood, VP Finance & Accounting, presented the 2nd Quarter 2025 Capital Tracking Report and answered questions from the Committee.

D. 2nd Quarter 2025 Financial Information & Variance Report (Millwood)

Paul Millwood, VP Finance & Accounting, presented the 2nd Quarter 2025 Financial Information & Variance Report and answered questions from the Committee.

VII. NEW BUSINESS (none)

VIII. DIRECTOR COMMENTS

Director Comments were made at this time.

IX. EXECUTIVE SESSION *(scheduled)*

A. Equity Management Plan Goals (Highers/Millwood/Strunk)

At 4:46 p.m. Director Jernstrom moved and Director Cooper seconded that pursuant to Alaska Statute 10.25.175(c)(1) and (3), the Board of Directors go into executive session to: 1) discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 2) discuss with its attorneys matters the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

At 5:48 p.m. the Committee reconvened open session.

X. NEW BUSINESS *(none)*

XI. ADJOURNMENT

At 5:49 p.m., Director Jernstrom moved, and Director Cooper seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT & FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

November 05, 2025

ACTION REQUIRED

AGENDA ITEM NO. VII.A.

<u> </u>	Information Only
<u> X </u>	Motion
<u> X </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Discounting for 2025 and 2026 Retail Capital Credit Payments

DISCUSSION

Chugach Electric Association, Inc. (Chugach or Association) Board Policy 304 provides for the retirement of retail capital credits on a discounted basis for estate payments and former members that are no longer receiving electric service. Section II.D. of Board Policy 304 states:

Special / Discounted Capital Credits Retirements: The Association may retire capital credits on a discounted basis as approved by the Board to reflect the net present value of the capital credits. Approval of special or discounted capital credit retirements may reduce allowable amounts in a general retirement to the extent required to comply with Indenture and debt agreements. Amounts approved for discounting will be either (1) estate payments or (2) former members that are no longer on the Association's distribution system.

Chugach's Bylaws require Board of Director approval for the retirement of capital credits. If the funding and approval of payments is preauthorized, Chugach can process the requests without having to seek Board approval for each specific retirement processed.

Below is a summary of early retirements for 2022, 2023, 2024 and 2025 (year-to-date October), which shows recent trends in member participation in the program.

<u>Description</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Authorized Board Funding Level	\$350,000	\$350,000	\$300,000	\$350,000
Number of Payments Made	271	194	278	319
Amount paid to Member (Discounted)	\$191,257	\$133,233	\$272,187	\$342,357
Bad debts recovered	\$716	\$226	\$1,114	\$7,894
Donated capital	\$135,933	\$150,730	\$199,246	\$299,868
Capital credits retired	\$327,190	\$283,963	\$471,433	\$759,485

Donated capital is the portion of allocations that revert to permanent equity for the cooperative when the member takes an early retirement payout.

While the discounted capital credit program is voluntary, history suggests a relationship between annual capital credit retirements and interest in the discounted capital credit program.

Per Board Policy 304, Chugach may recoup any amounts owed to the Association. The bad debts recovered above represent these amounts that were captured prior to the payment of the remaining capital credits.

On November 20, 2024, the Board resolution authorized the retirement of capital credits in 2025 in an amount not-to-exceed \$350,000 on a discounted basis for estate payments and former members that are no longer on Chugach's system. Chugach recommends increasing this amount by \$50,000 to a revised not-to-exceed for 2025 of \$400,000.

The attached resolution authorizes the retirement of capital credits in 2025 in a revised amount not-to-exceed \$400,000 on a discounted basis for estate payments and former members that are no longer on Chugach's system. It also authorizes the retirement of capital credits in 2026 in a revised amount not-to-exceed \$400,000 on a discounted basis for estate payments and former members that are no longer on Chugach's system. The early retirement of capital credits in an amount not-to-exceed \$400,000 for each year 2025 and 2026 will not adversely impact the Association's financial condition.

MOTION

Move that the Audit and Finance Committee recommend that the Chugach Board of Directors approve the attached resolution authorizing early (discounted) retail capital credit payments for estate payments and former members that are no longer on Chugach's system in 2025 and 2026 in an amount not-to-exceed \$400,000 for each year.



RESOLUTION

Discounting for 2025 and 2026 Retail Capital Credit Payments

WHEREAS, Chugach Electric Association, Inc. (Chugach or Association) Board Policy 304 provides for the retirement of retail capital credits on a discounted basis for estate payments and to former Chugach members who are no longer receiving electric service;

WHEREAS, Chugach received a Private Letter Ruling from the Internal Revenue Service stating that the discounting of capital credits as provided for under Board Policy 304 does not jeopardize Chugach's tax-exempt status;

WHEREAS, Chugach's Bylaws require capital credit retirements be approved by the Chugach Board of Directors;

WHEREAS, amounts available for discounted capital credit payments can be increased or decreased at the discretion of the Chugach Board of Directors;

WHEREAS, estate and other early payments will be made throughout 2025 and Chugach Board of Director approval of each specific early retirement would cause delay in issuing payments; and,

WHEREAS, the discounting of retail capital credit payments for estates and former members who are no longer receiving electric service on Chugach's system in an amount up to \$350,000 in 2025 will not impair the financial condition of the Association and will be calculated in accordance with Board Policy 304.

WHEREAS, the Chugach Board of Directors on November 20, 2024 authorized discounted capital credit payments in 2025 in an amount up to 350,000, and

WHEREAS, Chugach has paid and accepted offers to pay discounted capital credits of \$342,357 from January 1, 2025 to October 21, 2025 and recommends increasing the authorized funds for 2025 discounted capital credit payments by \$50,000, and,

WHEREAS, estate and other early payments will be made throughout 2026 and Chugach Board of Director approval of each specific early retirement would cause delay in issuing payments; and,

WHEREAS, the discounting of retail capital credit payments for estates and former members who are no longer receiving electric service on Chugach's system in an amount up to \$400,000 in 2025 will not impair the financial condition of the Association and will be calculated in accordance with Board Policy 304.

NOW THEREFORE, BE IT RESOLVED, Chugach shall make early payments of retail capital credits for estate payments and former members who request early retirements in the actual discounted amount, not-to-exceed \$400,000 in cash payments for 2025 and 400,000 in 2026.



BE IT FURTHER RESOLVED, before receiving a payment under this plan, any member with an outstanding electric debt balance will be required to first pay the outstanding debt or acknowledge the capital credit payment will be reduced by the amount necessary to satisfy the outstanding debt.

CERTIFICATION

I, Susanne Fleek-Green, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric not for profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 19th day of November, 2025; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 19th day of November 2025.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

November 05, 2025

ACTION REQUIRED

AGENDA ITEM NO. VII.B.

<u> </u>	Information Only
<u> X </u>	Motion
<u> </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Recommendation on Approval of the 2026 Operating and Capital Budget

DISCUSSION

The Audit and Finance Committee reviewed a proposed 2026 Operating and Capital Budget.

The 2026 Operating Budget is expected to produce margins of \$16.0 million, Margins for Interest/Interest (MFI/I) ratio of 1.32, Times Interest Earned Ratio (TIER) ratio of 1.39 and Equity to Total Capitalization Ratio of 18.8%. These results are based on a Total Cost of Service of \$369.2 million, Total Revenue of \$379.9 million and Non-Operating Margins of \$5.3 million.

The 2026 Capital Budget is \$121.7 million, net of funding from surcharges related to BRU and undergrounding, consisting of \$20.7 million in Generation, \$20.7 million in Transmission and Sub-Transmission, \$27.4 million in Distribution, \$6.9 million in Distribution Substation, \$2.7 million in Telecommunications/SCADA, \$10.1 million in Decarbonization and \$33.2 million in General Plant and Other expenditures. The 2026 Capital Budget includes \$55.2 million in Beluga River Unit spending that is funded through the BRU Capital Reserve Surcharge.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2026 Operating and Capital Budget which is expected to produce margins of \$16.0 million, MFI/I ratio of 1.32, TIER ratio of 1.39 and Equity to Total Capitalization ratio of 18.8%. These results are based on a Total Cost of Service of \$369.2 million, Total Revenue of \$379.9 million, Non-Operating Margins of \$5.3 million, and a capital expenditure cash requirement of \$121.7 million.

2026 Operating Budget

November 5, 2025



Agenda

Overview

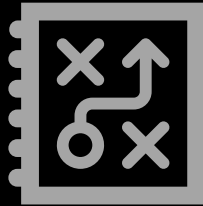
2026 Operating Budget

2026 – 2030 Capital Improvement Plan

Budget Overview



Defined by operations,
capital investments, and
cash requirements



Implementation plan for
strategic, financial,
regulatory and operational
objectives

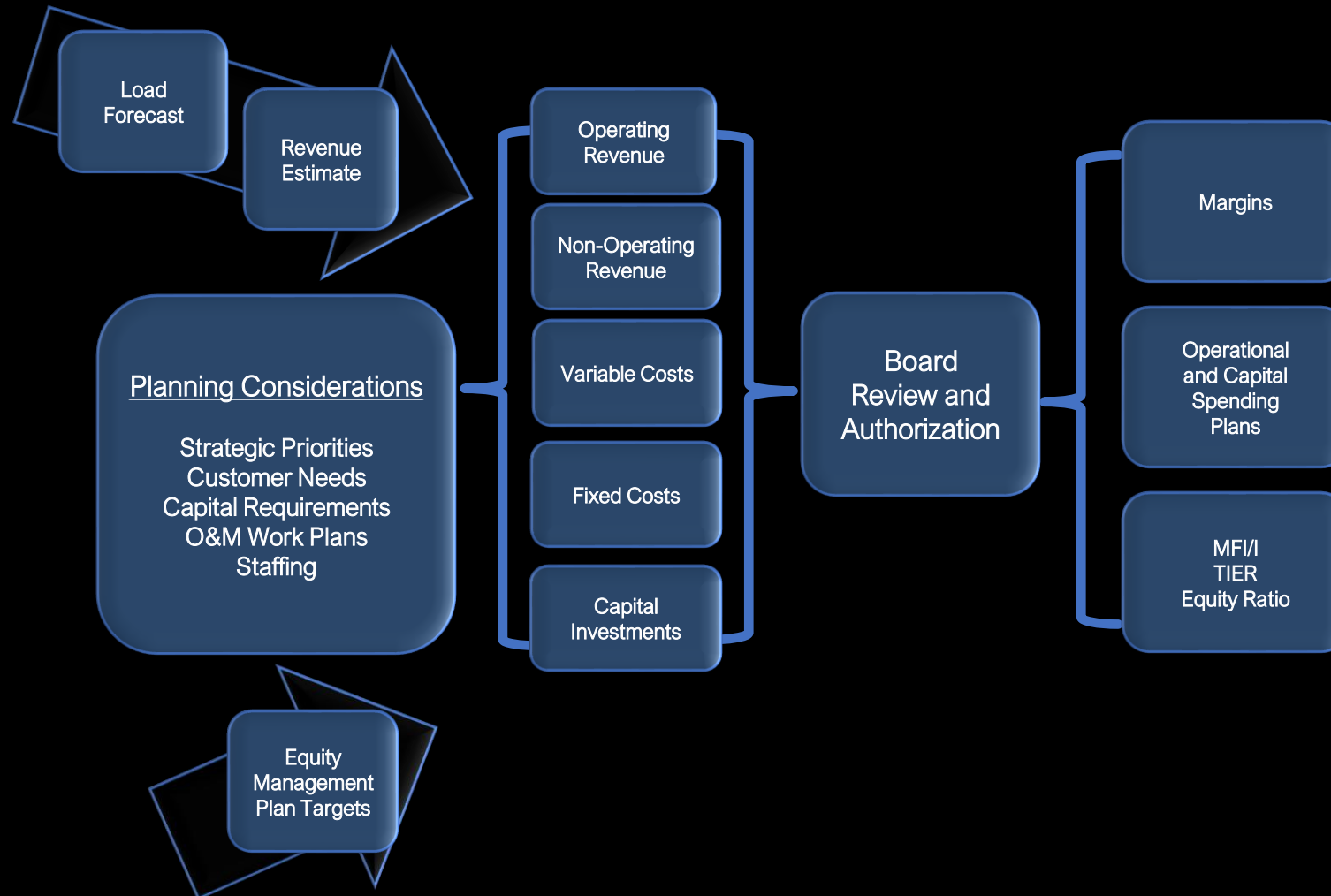


Meets the Board's goals
and objectives and
defines the resources
required given the current
environment



In accordance with
Chugach's Bylaws Article
VI. Section 10

The Budget Process



Key Inputs

Operations

- Full year of remote operations at Beluga Power Plant

Sales

- Flat sales
- Seward contract

Regulatory

- 2025 General Rate Case Interim and Refundable Base Rates

Fuel

- 60% BRU and 40% Hilcorp
- Expanded storage
- Continue banking BRU fuel

Debt

- Timing of commercial paper conversion

Other

- Capital credit retirements at 25% of prior years assignable margins

Business Risks



SALES – DECLINE



CREDIT RISK



OUTAGES



**EQUIPMENT
FAILURE**



**WEATHER /
STORM**



**NATURAL
DISASTERS**



TECHNOLOGY



FUEL SUPPLY



FUEL STORAGE



**RESOURCE
AVAILABILITY**



**REGULATORY
UNCERTAINTY**



**CHANGES IN
FEDERAL
REGULATION**



**ENVIRONMENTAL
EVENT**



LEGAL EVENT



**EMPLOYEE
INJURY**

Revenue Assumptions



Sales

Flat Retail Sales
Seward Sales



Rates

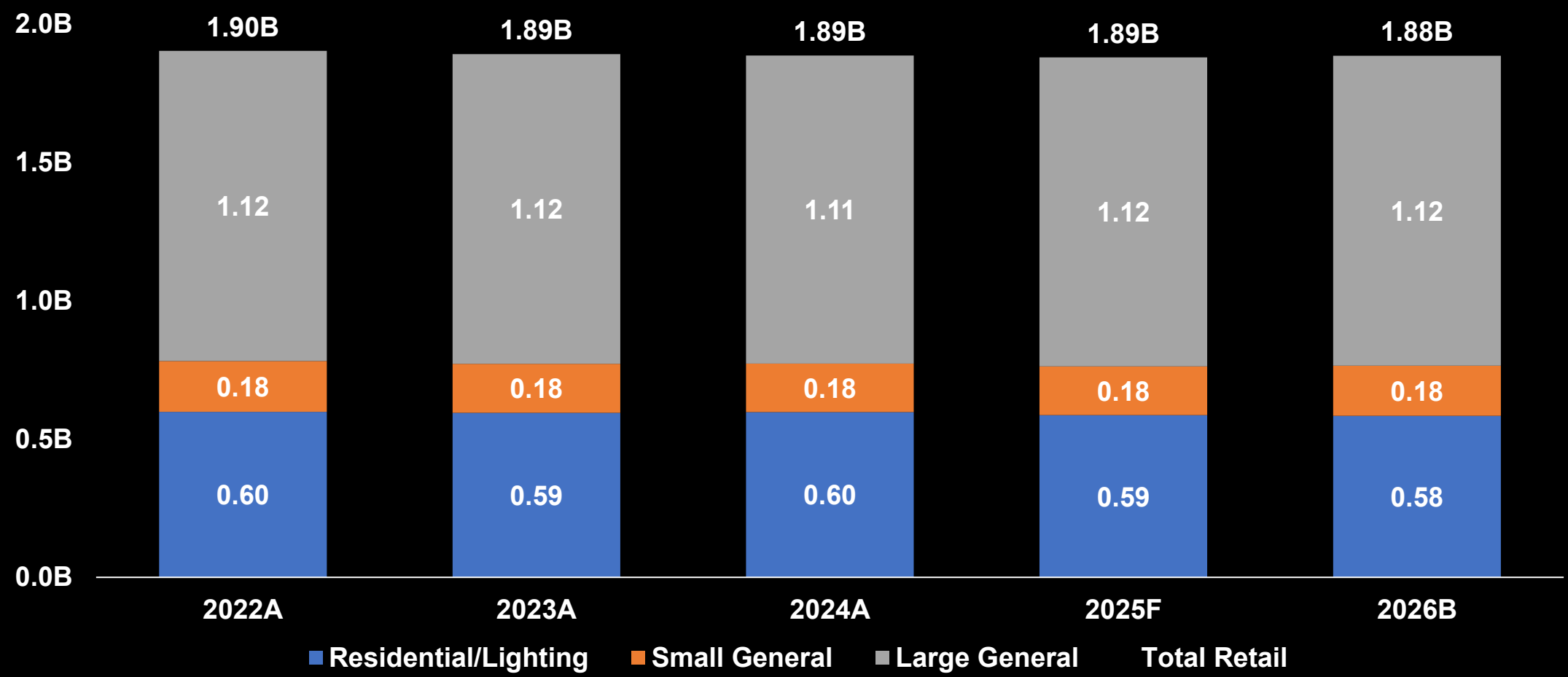
2025 General Rate
Case Interim &
Refundable Base Rates



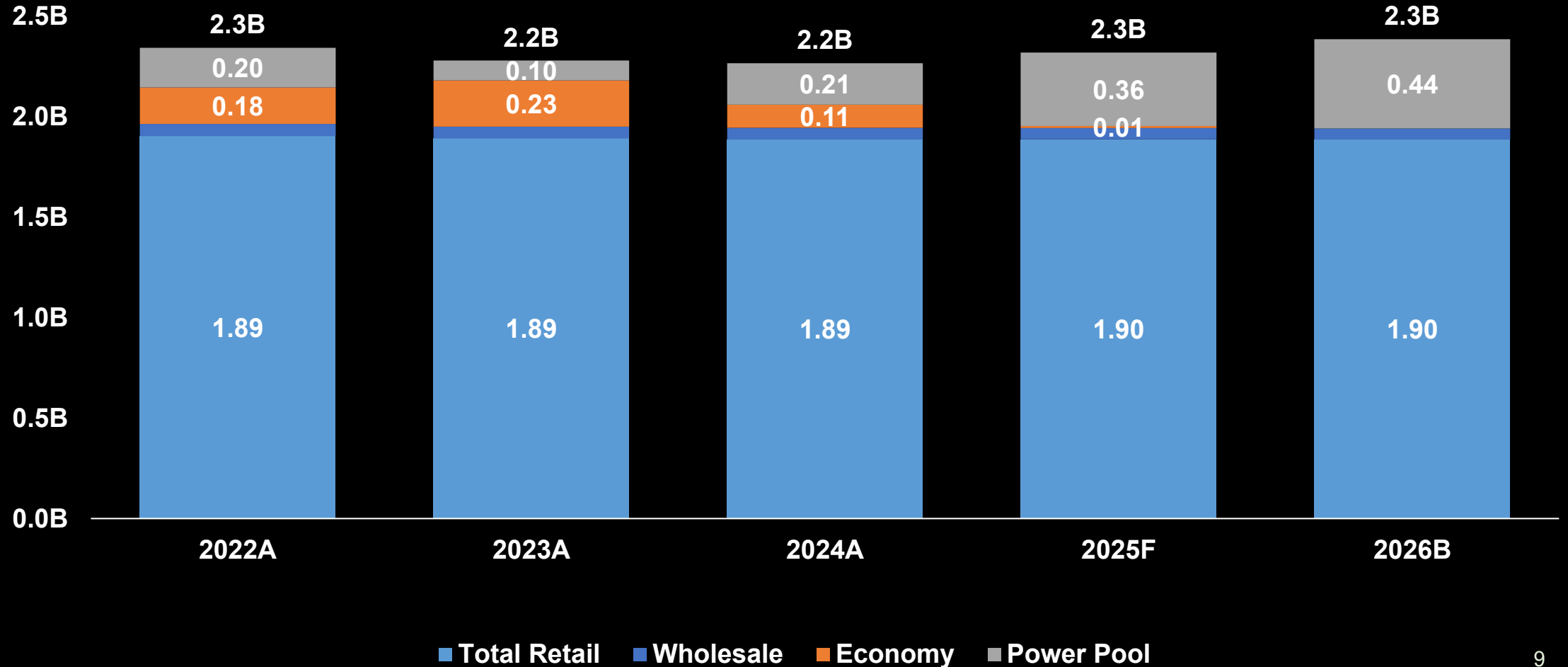
Other

Power Pool Savings
Beluga Camp Service
North Campus Lease
Microwave Revenue
BESS Oscillation Revenue

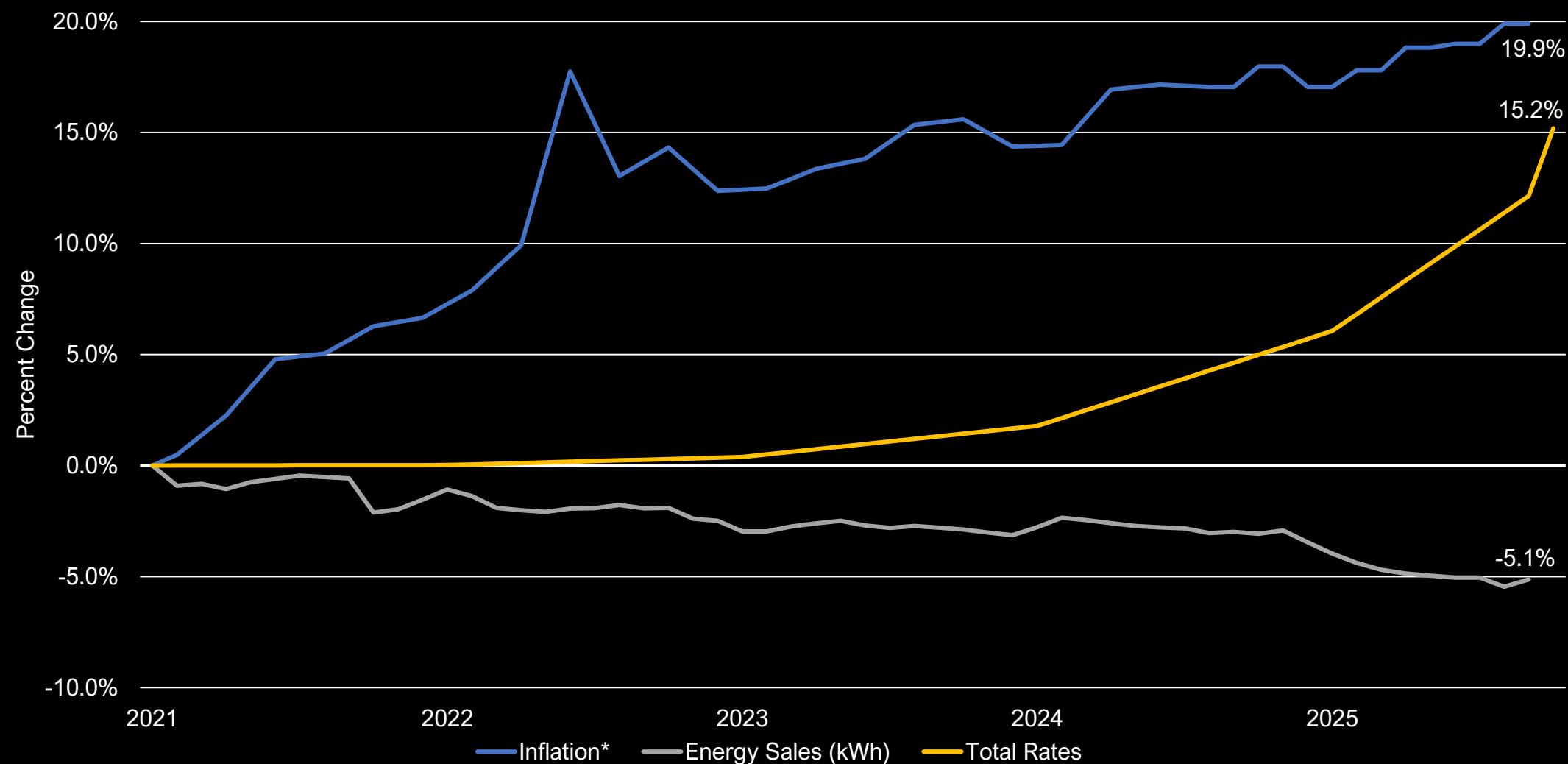
Retail Energy Sales (kWh)



Total Energy Sales (kWh)

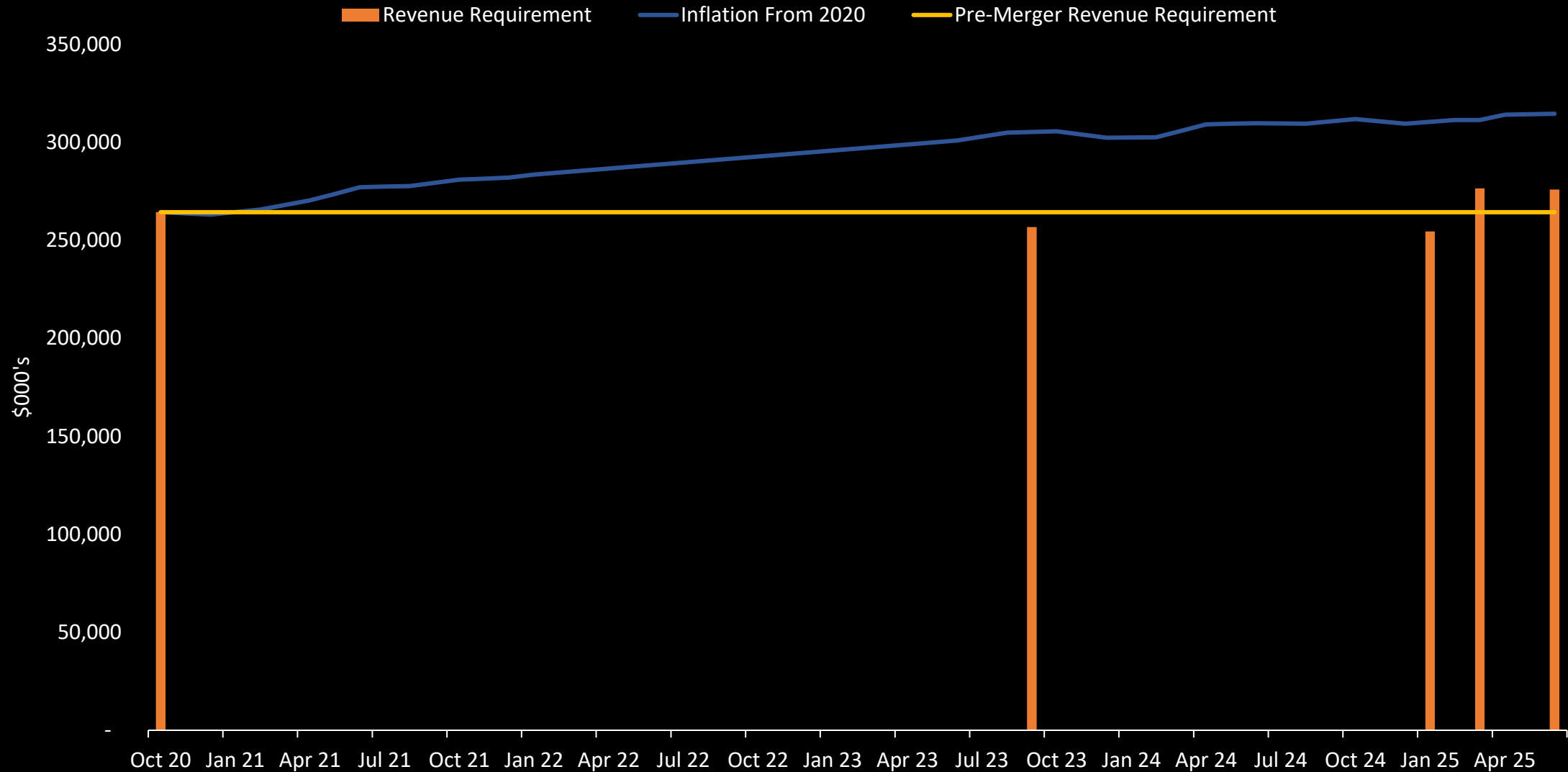


Alaska Inflation/Sales vs Rate Changes



* Source: U.S. Bureau of Labor Statistics – Anchorage Region and Chugach System Average Base Rate Changes

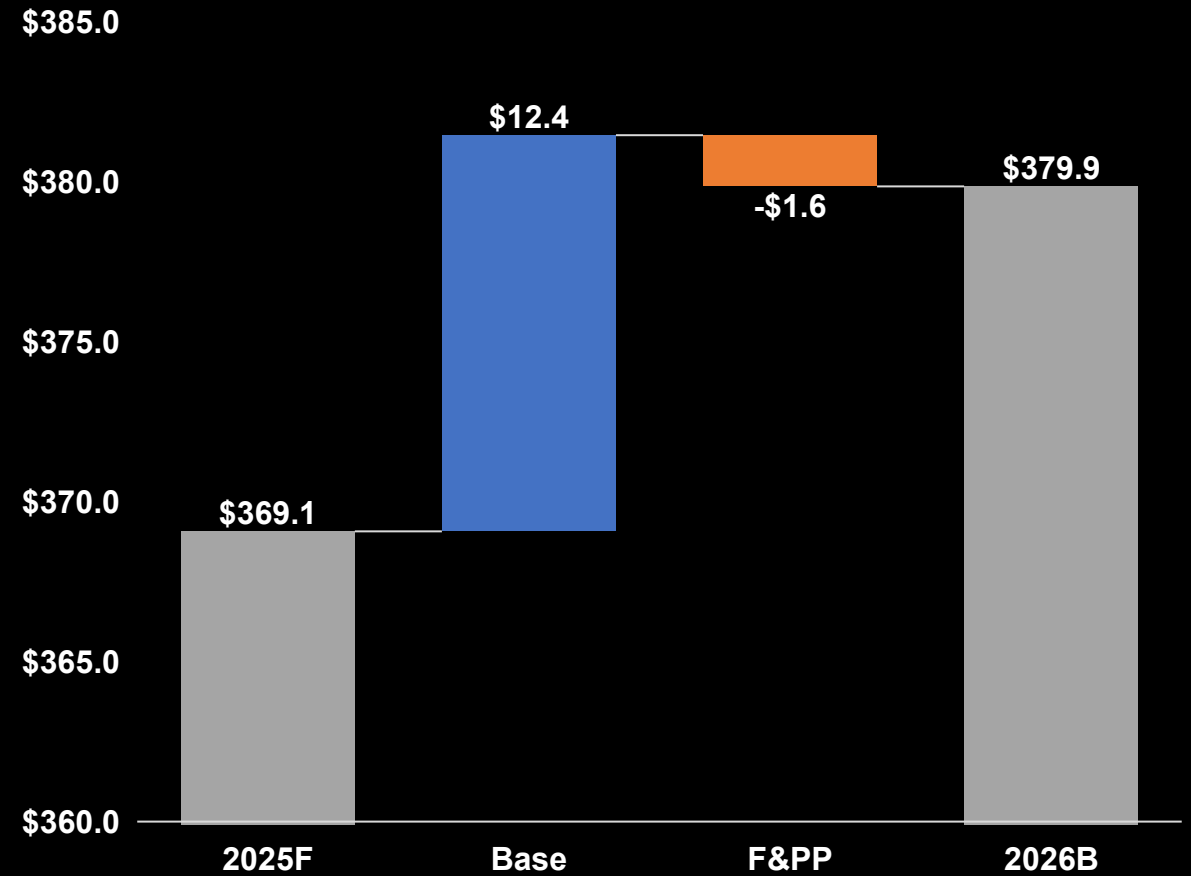
Revenue Requirement vs Inflation



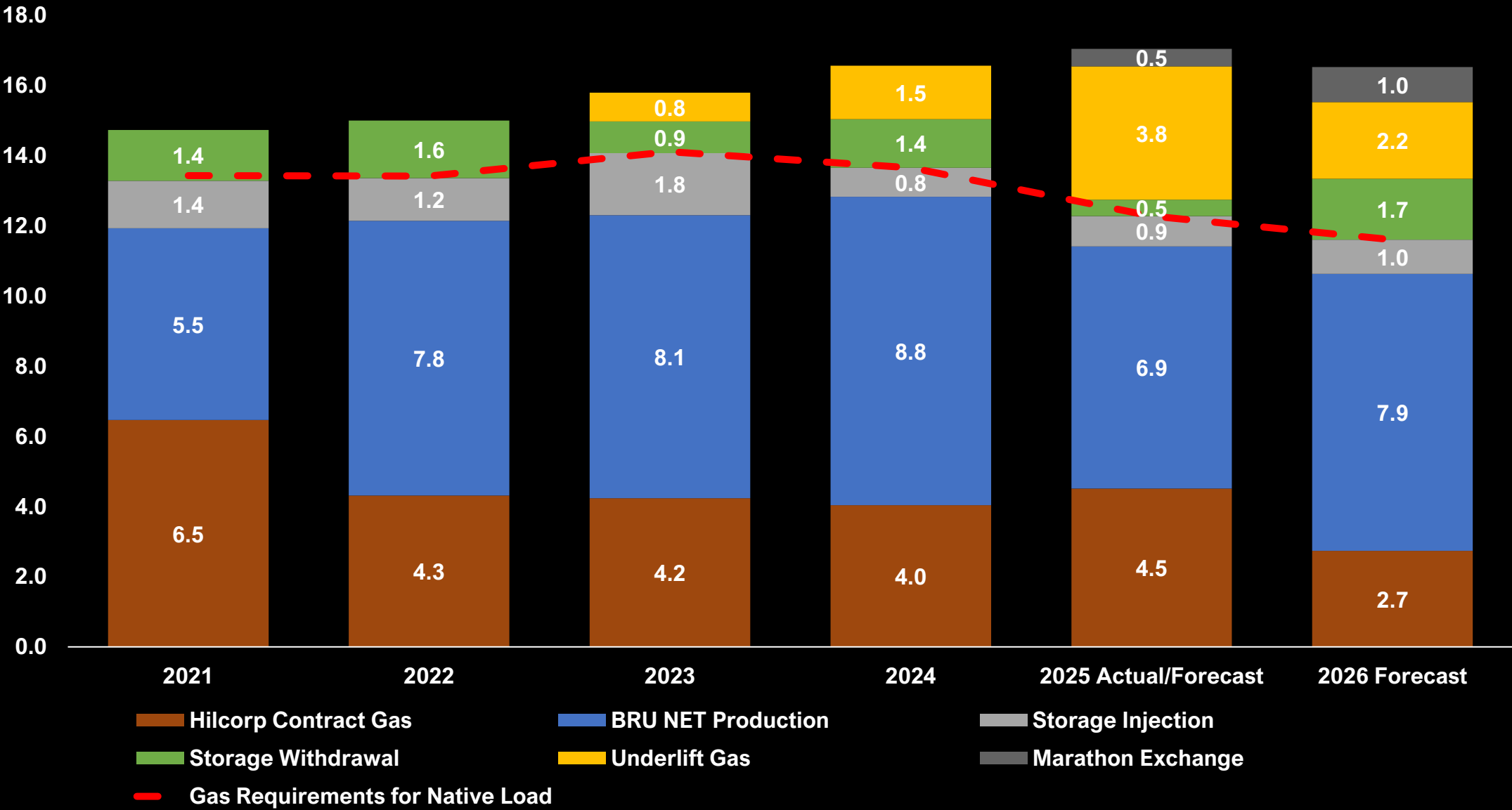
Revenue

2025 to 2026 Operating Revenue

(In Millions)

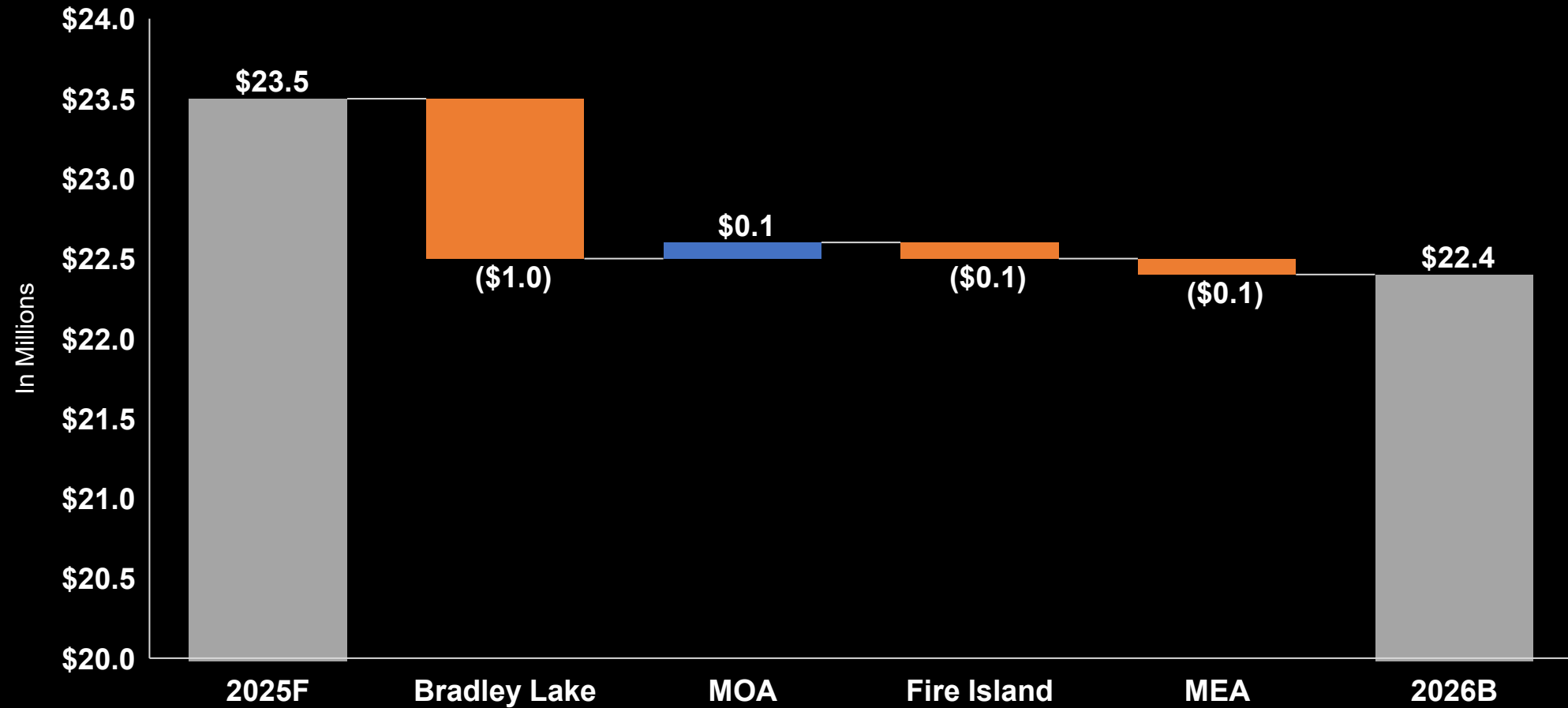


Fuel Supply Historic / Forecast (Mcf)

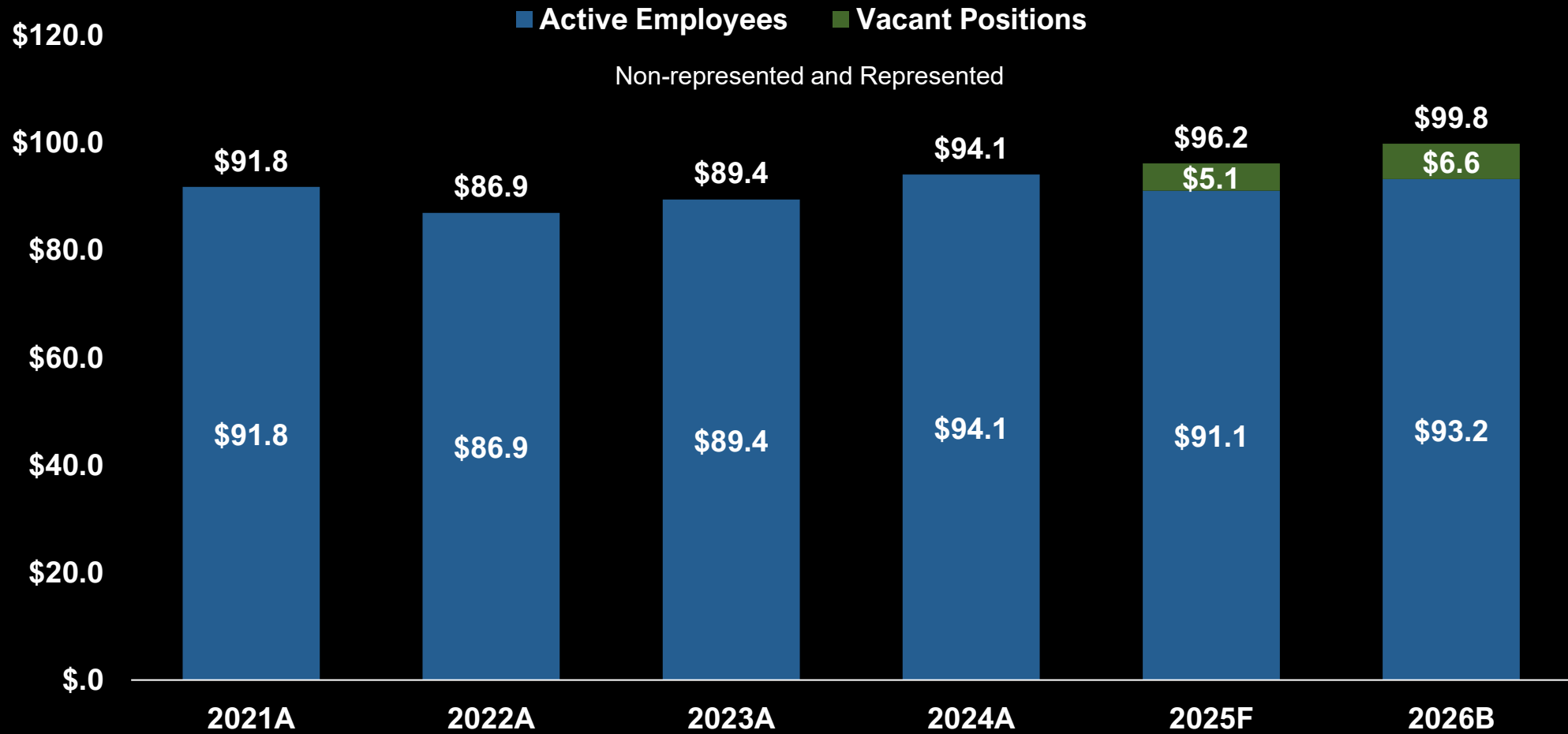


Purchased Power

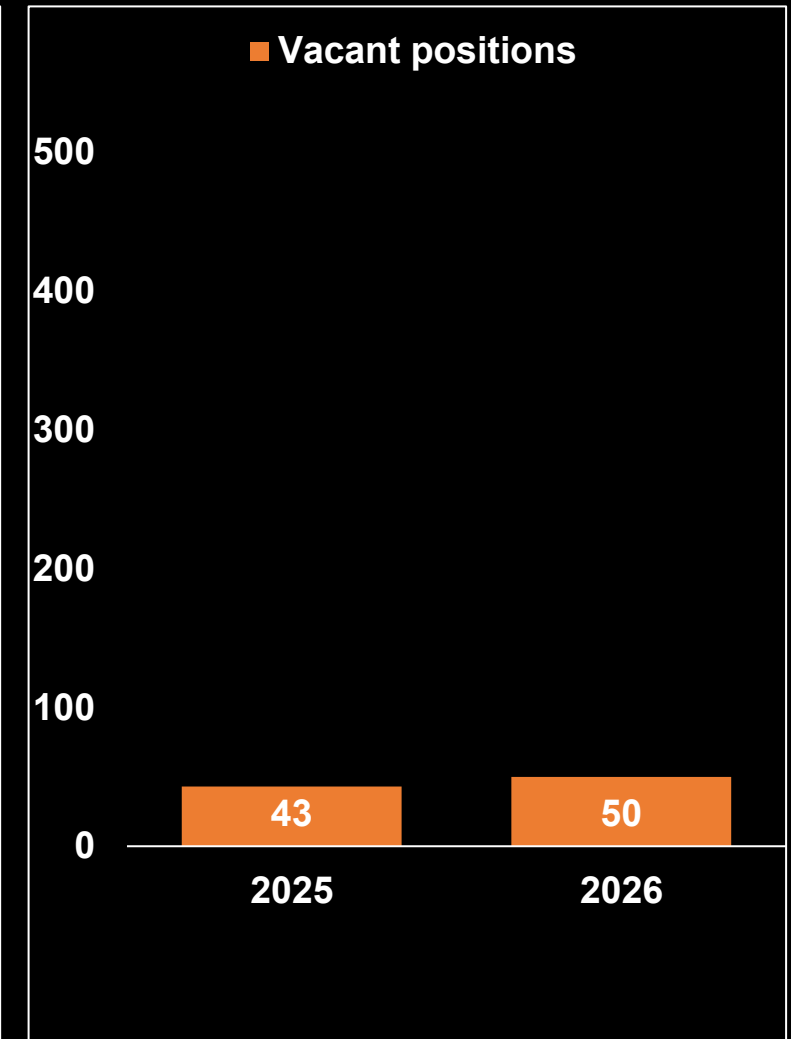
2025 to 2026 Purchased Power Cost



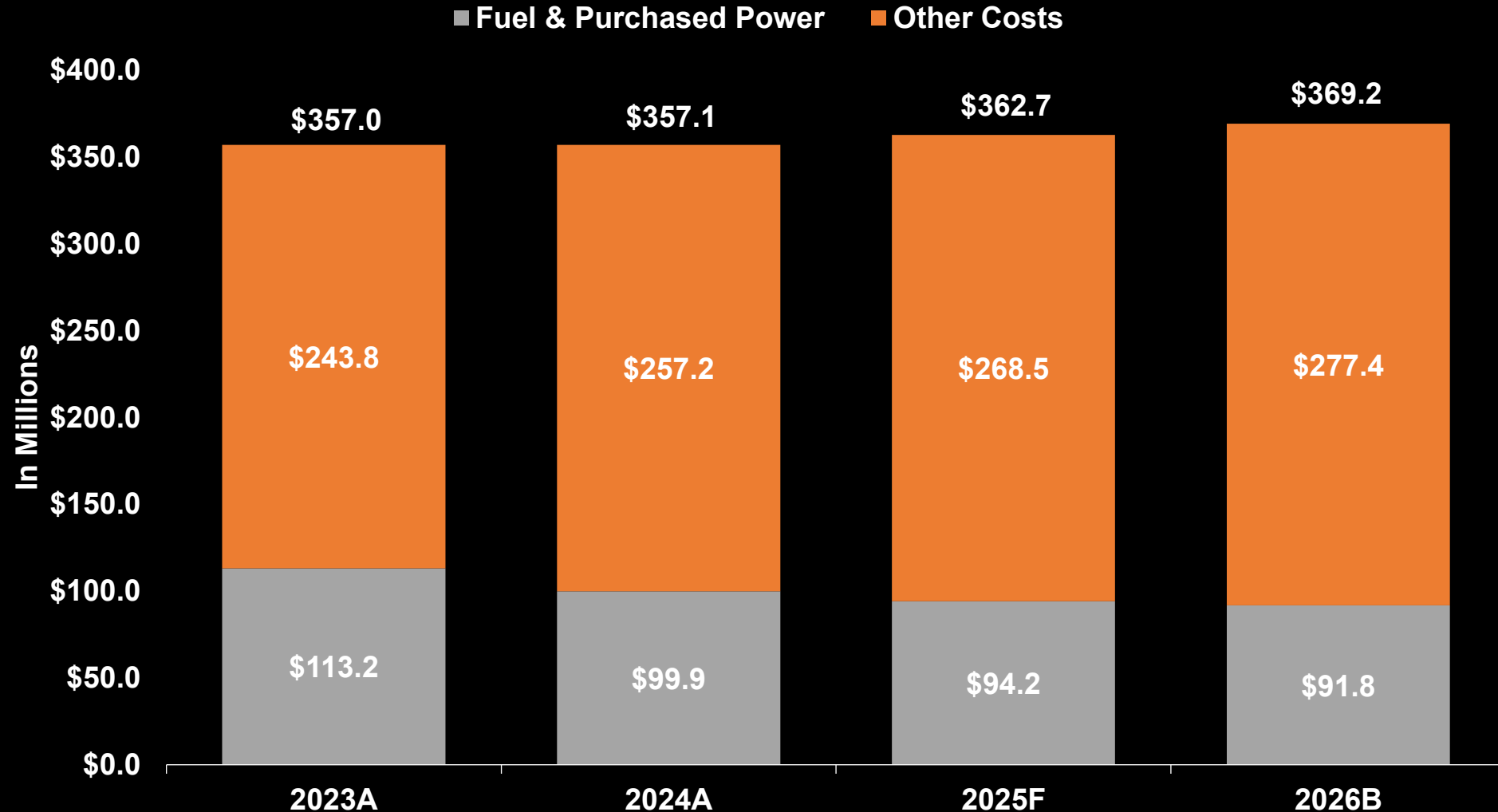
Total Salaries and Wages



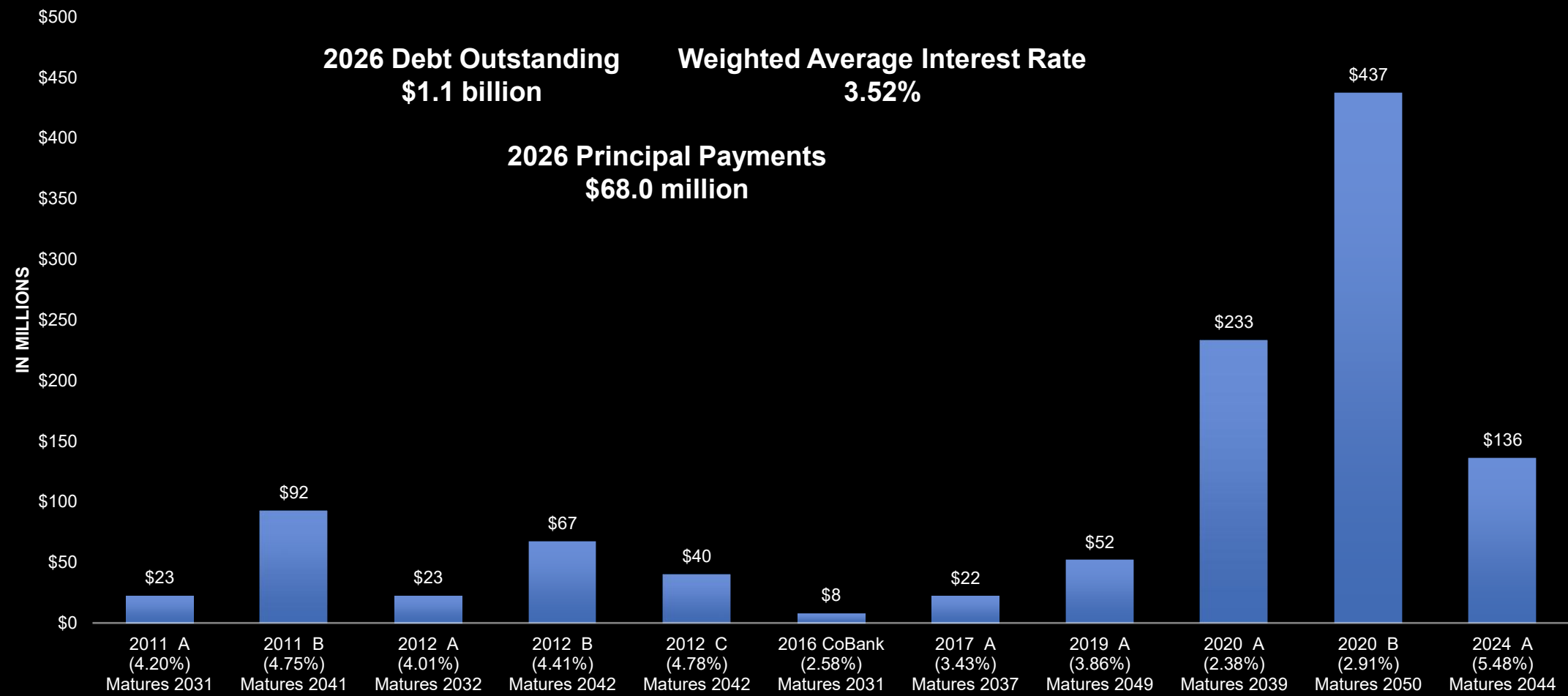
Number of Employees / Positions



Cost of Electric Service



Long-Term Debt



Consolidated Statement of Operations

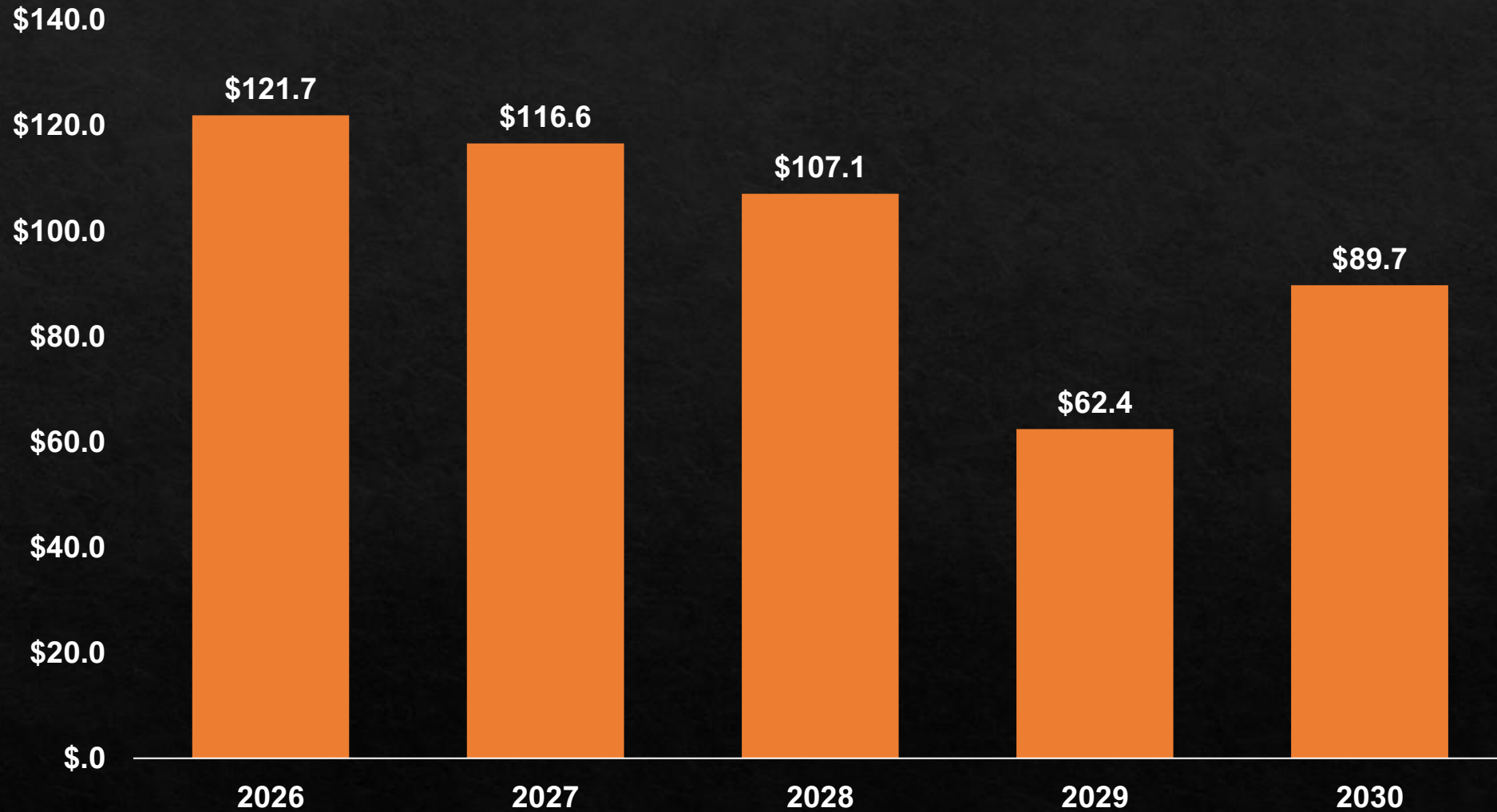
In Millions

	2024	2025	2026
	Actual	Budget/ Forecast	Budget
Operating Revenue	\$ 358.4	\$ 369.1	\$ 379.9
Fuel and Purchased Power	99.9	94.2	91.8
Power Production	39.0	41.0	39.6
Transmission	9.3	11.3	9.4
Distribution	29.9	30.4	35.1
Customer	11.2	12.4	13.0
Administrative, General, & Other	49.3	53.2	58.4
Depreciation and Amortization	71.8	72.3	73.6
Interest Expense, Net	46.8	48.0	48.3
Total Cost of Electric Service	357.1	362.7	369.2
Operating Margins	1.3	6.4	10.7
Non-Operating Margins - Interest	2.8	1.9	2.1
AFUDC	1.0	0.6	1.7
Non-Operating Margins - Other	1.1	0.2	1.5
Net Margins	6.2	9.1	16.0
MFI/I	1.13	1.18	1.32
TIER	1.15	1.21	1.39
Equity Ratio	16.6%	17.0%	18.8%

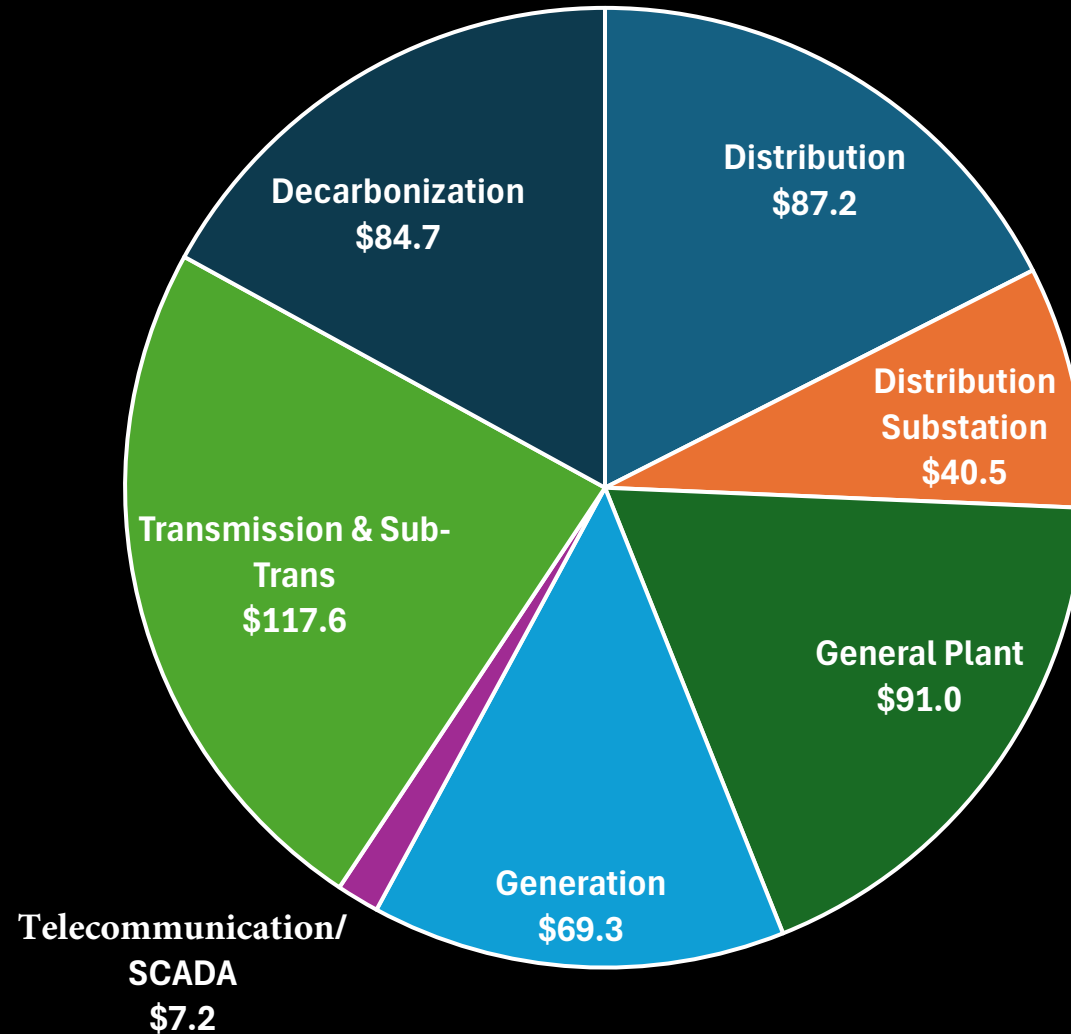
2026 – 2030



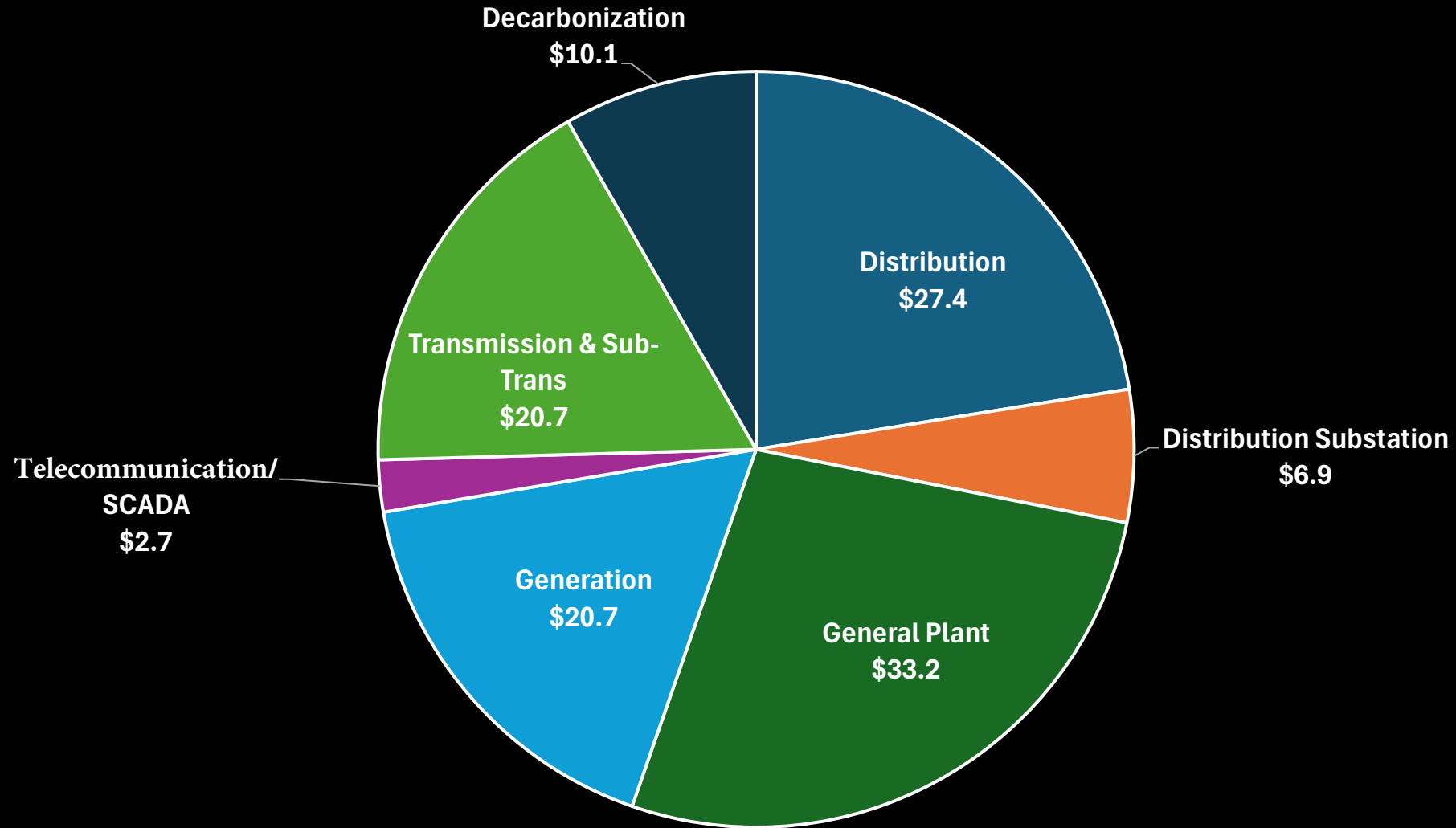
5-Year CIP By Year \$497.5M



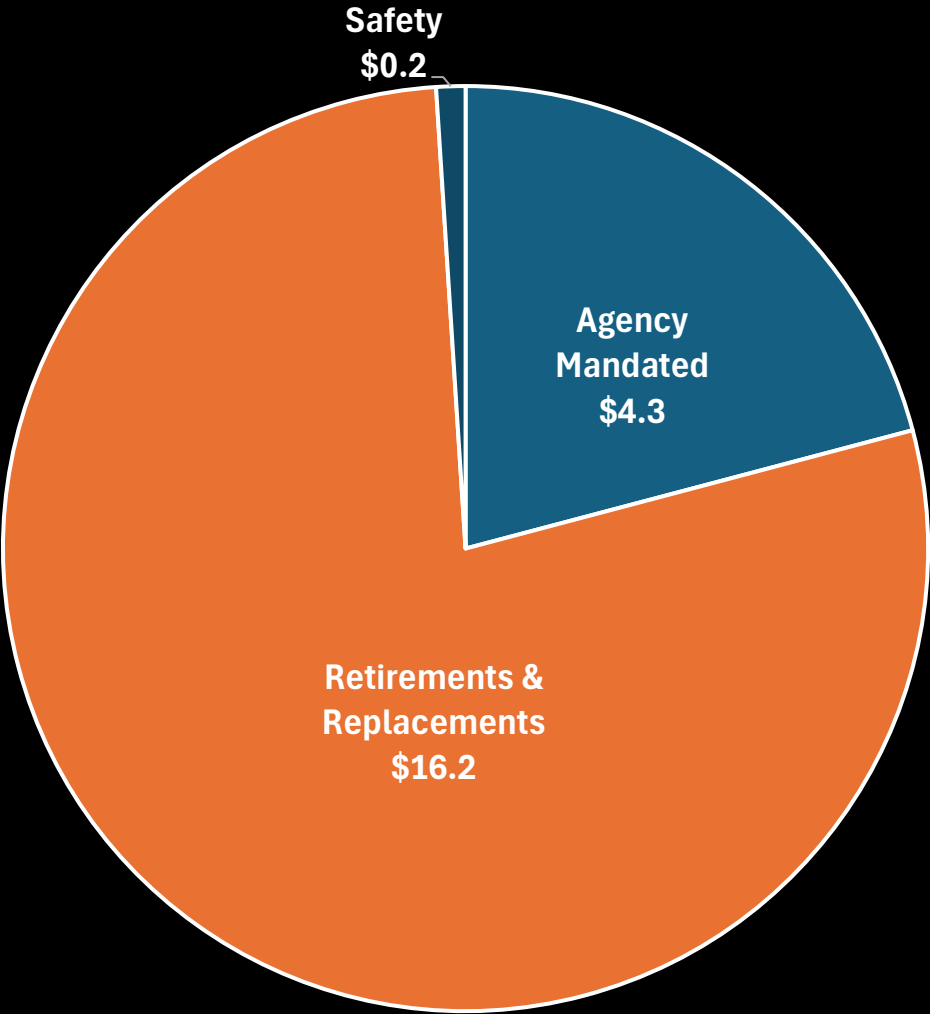
5-Year CIP By Function \$497.5M



2026 CIP By Function \$121.7M

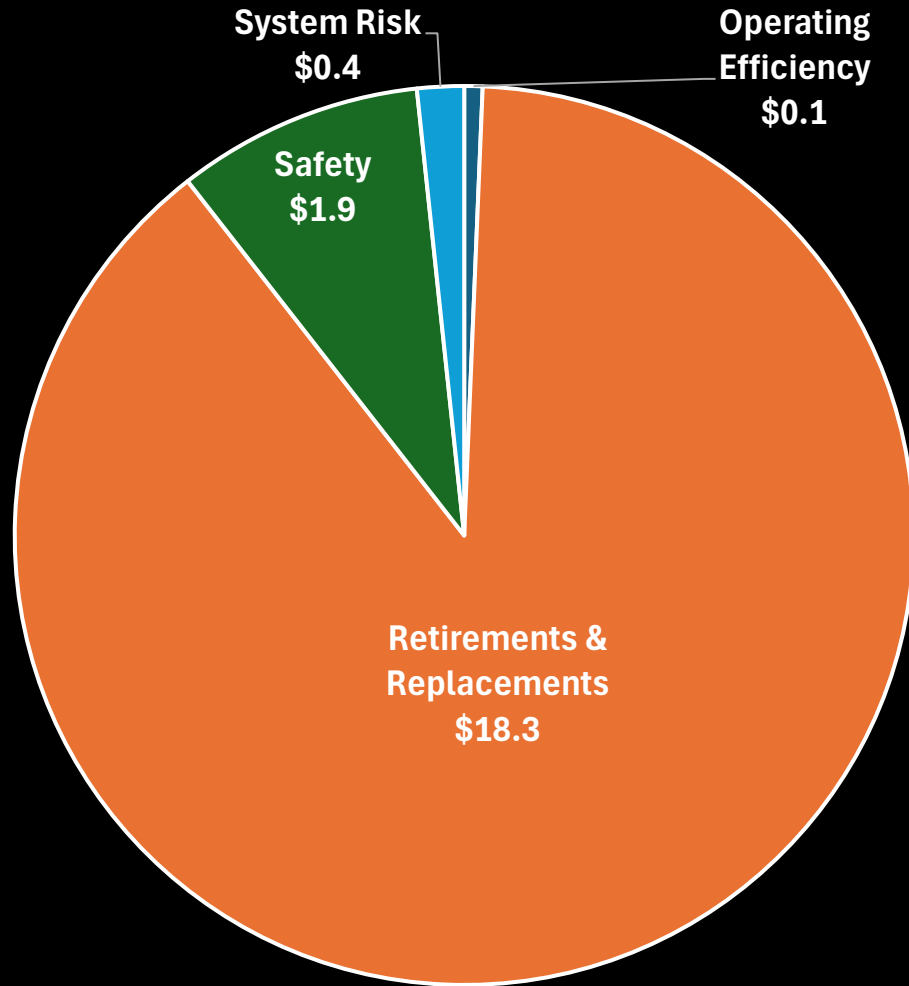


2026 Generation \$20.7M



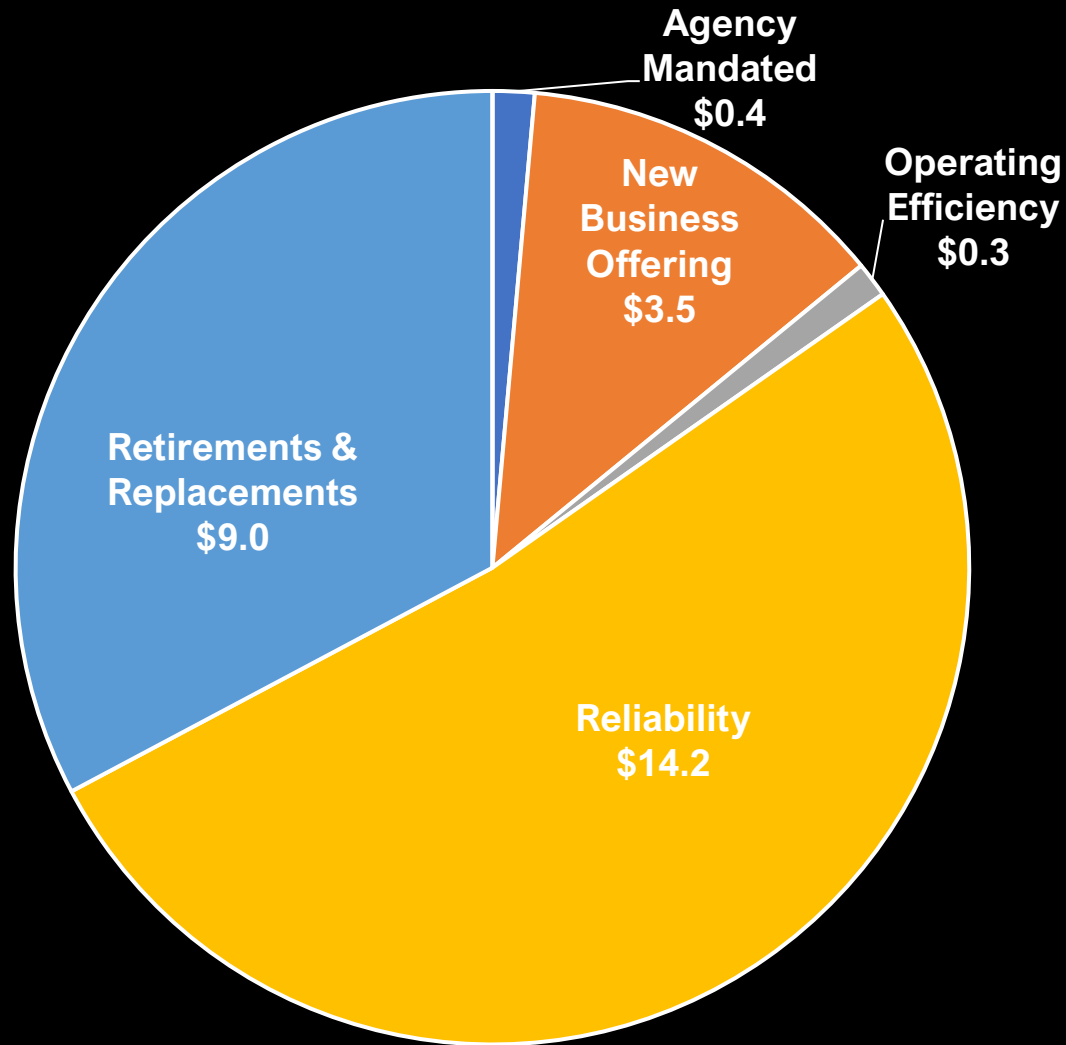
Major Projects	CIP Amount
Sullivan Major Maintenance	\$9.9
Cooper Lake Siphon Upgrade	\$4.2

2026 Transmission & Sub-Transmission \$20.7M



Major Projects	CIP Amount
Quartz Creek Rebuild	\$7.5
Submarine Cable Upgrades	\$4.5
Beluga Structure Repair	\$3.5

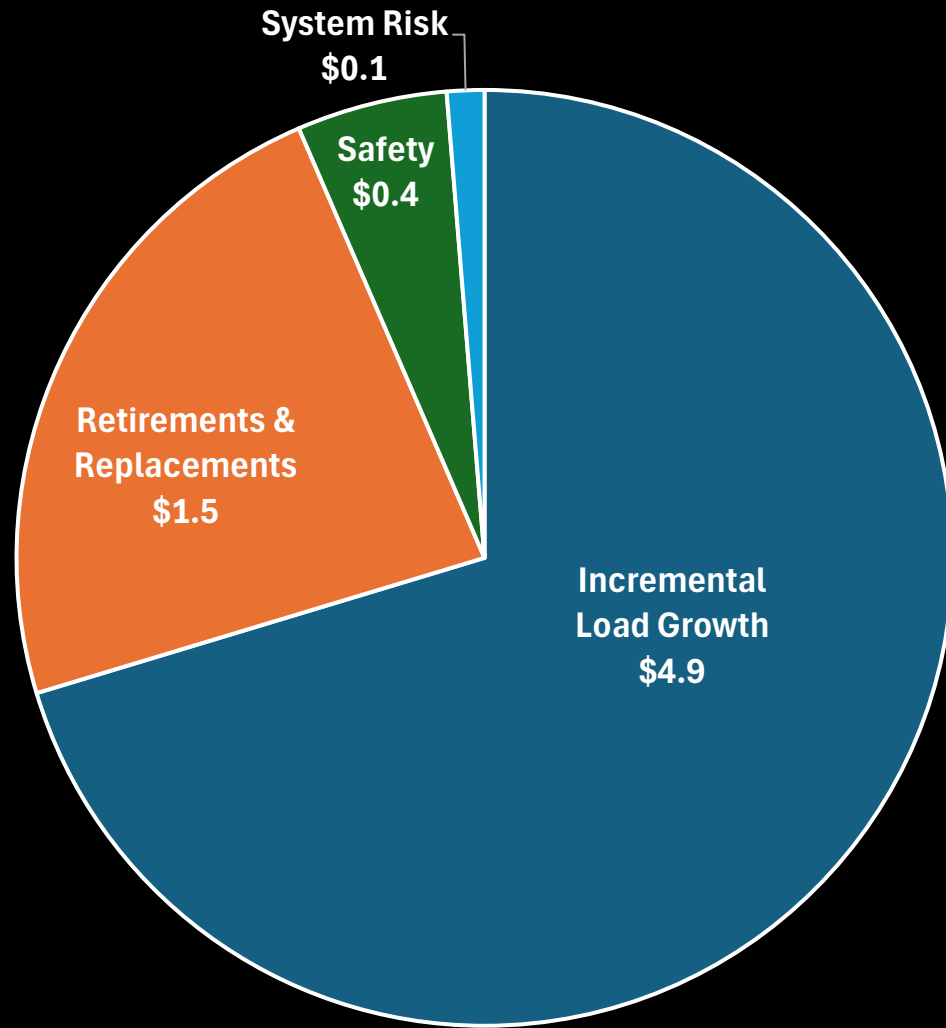
2026 Distribution \$27.4M



Major Projects	CIP Amount
HAG Dock Shore Power	\$11.5
Capital Replacements	\$4.8
New Services & Corflo	\$2.3
UG Cable Replacement Projects	\$2.8

*Overhead to Underground projects funded by the Title 21 surcharge

2026 Distribution Substation \$6.9M



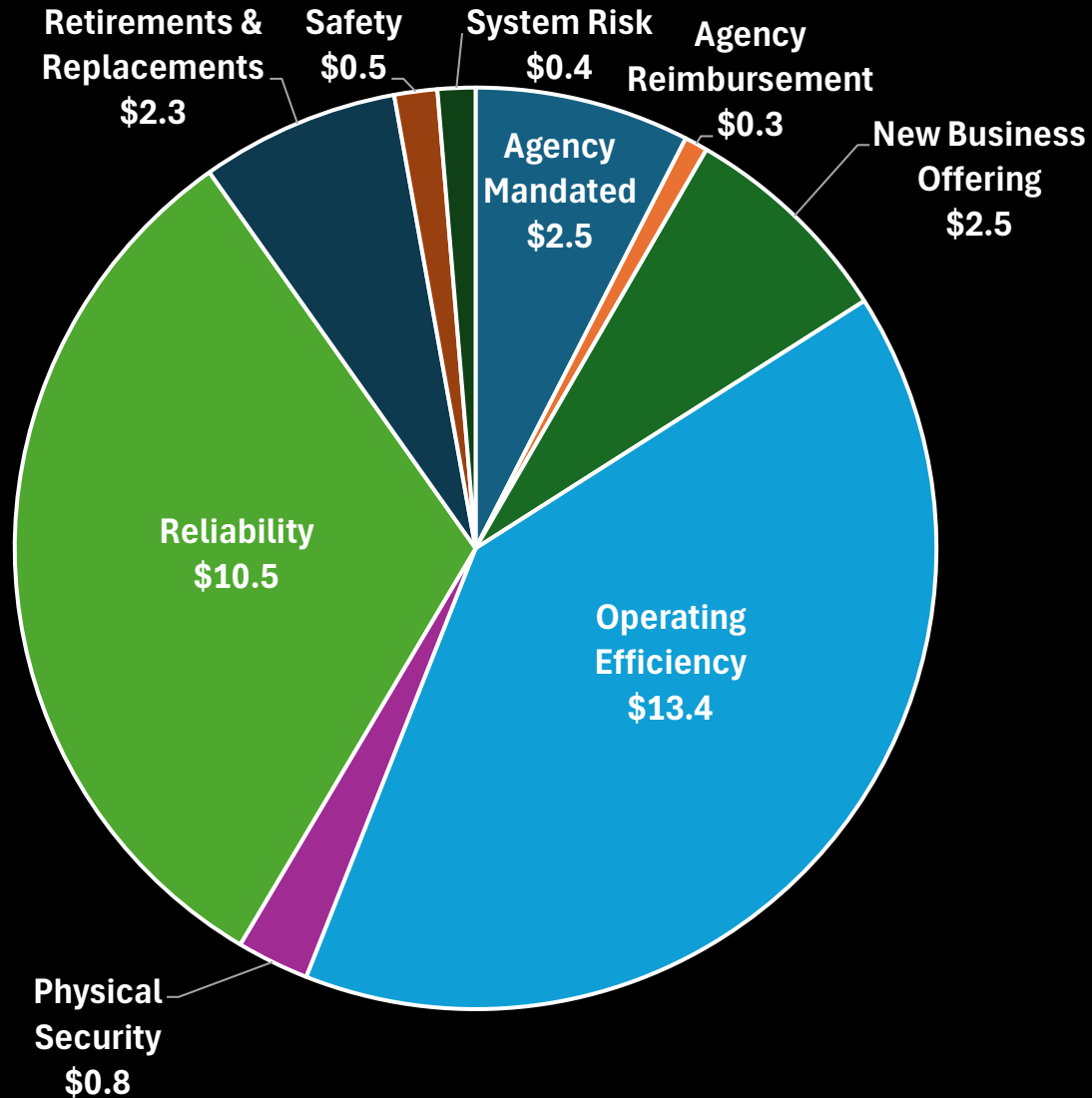
Major Projects	CIP Amount
Campbell Lake and Kincaid Substations	\$4.9

2026 Telecom and SCADA \$2.7M



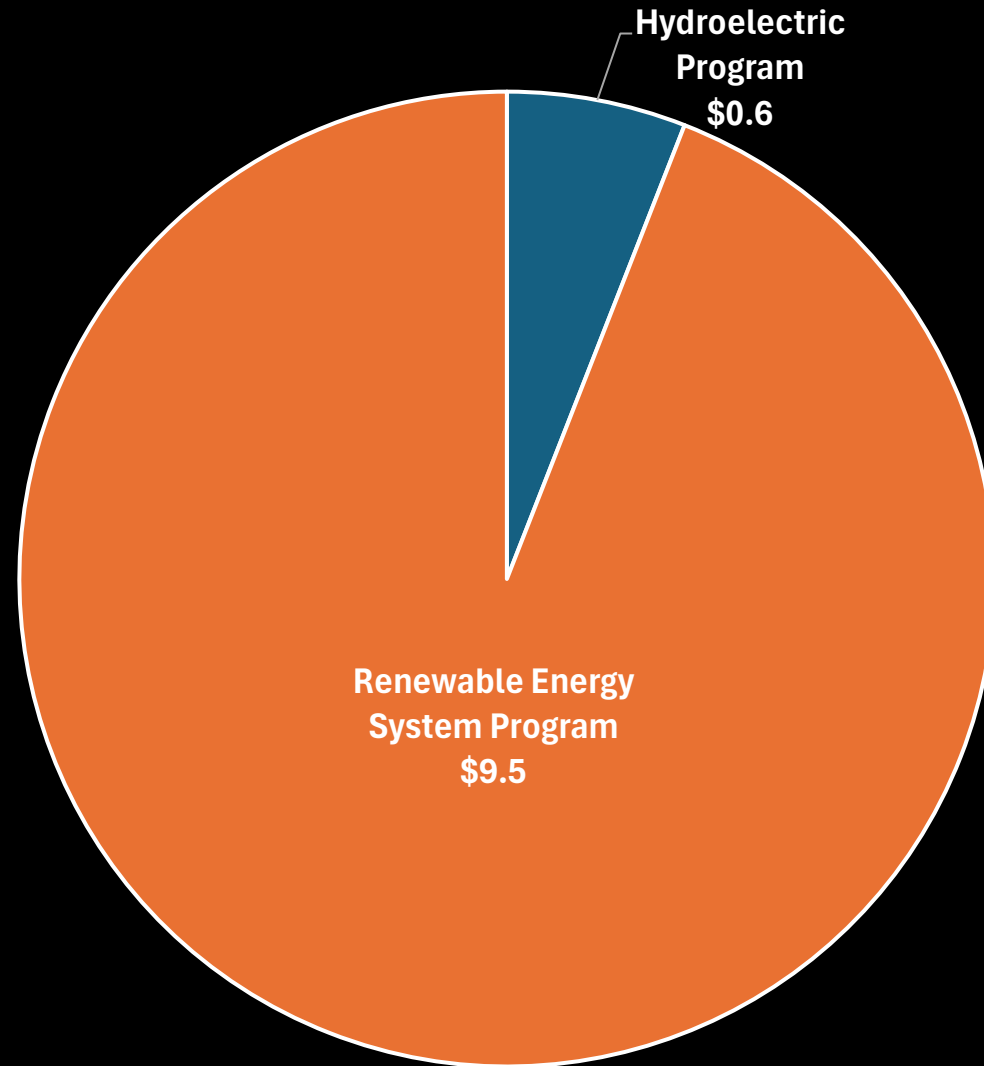
Major Projects	CIP Amount
Microwave Network Upgrades	\$0.9
Headquarters Phone Network Upgrade	\$0.8
Fiber Optic Cable Infrastructure	\$0.6

2026 General Plant and Other \$33.2M

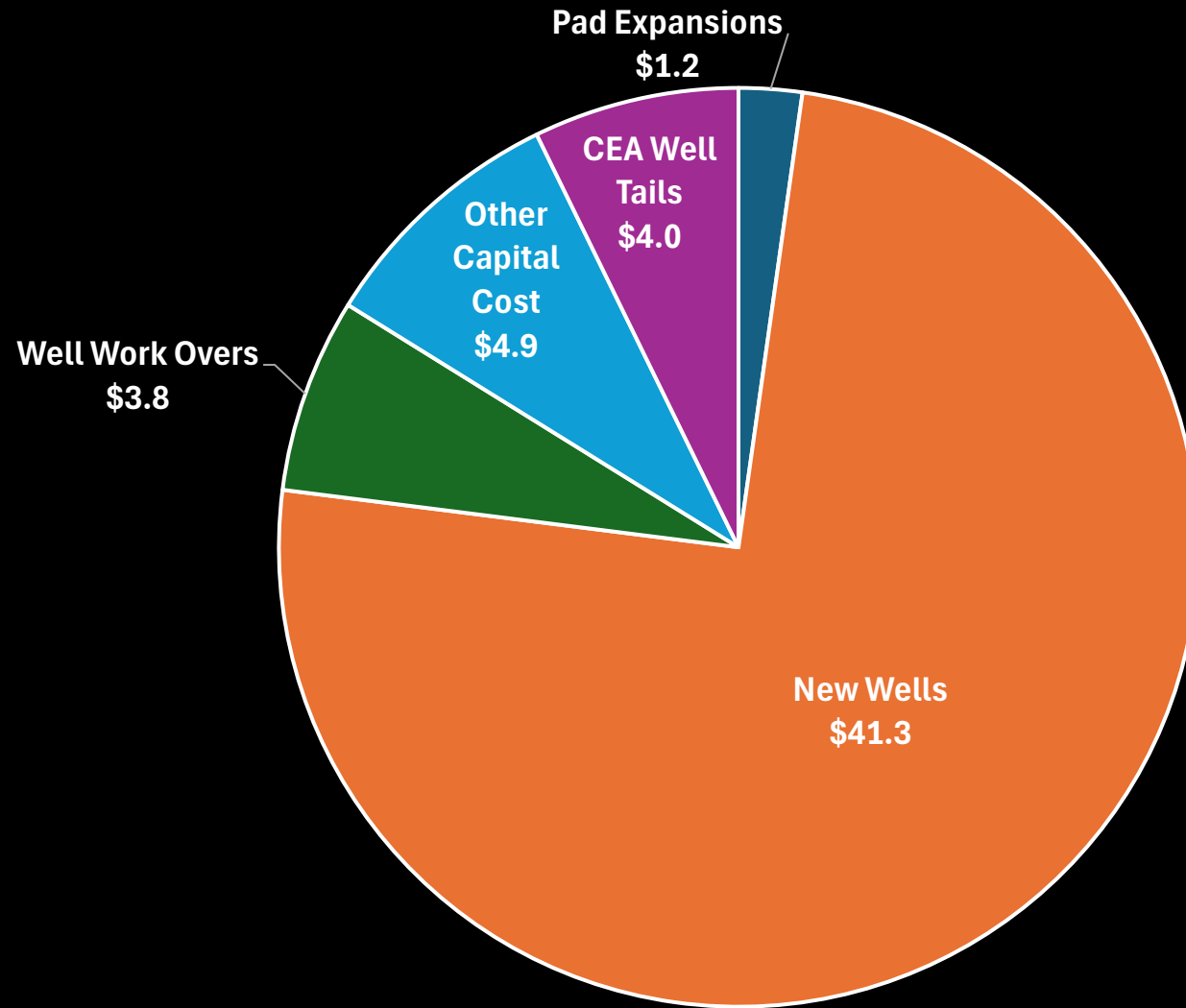


Major Projects	CIP Amount
PS Replacement	\$6.0
Cooper Landing Site Development	\$5.6
GIS Upgrade	\$5.0
EV Charger-Infrastructure	\$2.5
AKCIP	\$2.5
Gas Strategy	\$2.2

2026 Decarbonization Projects \$10.1M



2026 Beluga River Unit \$55.2M*



*Beluga River Unit projects funded by the BRU Capital Reserve Surcharge



Questions & Discussion

Executive Session Motion
(Financial and Legal)
November 5, 2025

Chugach Electric Association, Inc.
Audit and Finance Committee Meeting

Agenda Item VI.

Move that pursuant to Alaska Statute 10.25.175(c)(1) and (3), the Board of Directors go into executive session to: 1) discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 2) discuss with its attorneys matters the immediate knowledge of which could have an adverse effect on the legal position of the cooperative.

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary of Executive Session Topics for
Audit and Finance Committee Meeting on November 5, 2025
Agenda Item VI.

- A. Discussion of confidential and sensitive information regarding Internal Revenue Service communication, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))